

**ANNUAL REPORT ON REMUNERATION OF DIRECTORS
OF LISTED PUBLIC LIABILITY COMPANIES**

ISSUER IDENTIFICATION DATA

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Company Name: INMOBILIARIA COLONIAL, SOCIMI, S.A.

Registered Office: PASEO DE LA CASTELLANA, 52, 28046 MADRID

**ANNUAL REPORT ON REMUNERATION OF DIRECTORS
OF LISTED PUBLIC LIABILITY COMPANIES**

A. REMUNERATION POLICY OF THE COMPANY FOR THE YEAR IN PROGRESS

A.1 Explain the remuneration policy of the company. This heading includes information on:

- The general principles and bases of the remuneration policy.
- The most significant changes made to the remuneration policy in relation to the policy applied in the previous fiscal year and the changes made during the financial year to the conditions for exercising previously awarded options.
- Criteria used to establish the company's remuneration policy.
- Relative importance of the items of variable remuneration with respect to the items of fixed remuneration and policies followed to calculate the various components of the directors' remuneration package (*remuneration mix*).

Explain the remuneration policy
<p>The remuneration policy of directors of Inmobiliaria Colonial SOCIMI, S.A. (the "Company" or "Colonial") is aimed at promoting profitability for Colonial and its shareholders while aligning the two interests and the long-term sustainability of Colonial and including the necessary precautions to avoid excessive risk taking and rewarding unfavourable results. It also aims to remunerate the work of the Company directors in achieving that purpose, while always maintaining a proportional relationship to the professional performance of its beneficiaries without simply basing itself on the general performance of the markets or the activity sector in which Colonial operates or on other similar circumstances.</p> <p>The primary objective of Colonial is that the remuneration received by the directors bears a reasonable proportion to the Company's importance, its economic position at all times and the market standards of comparable companies, in accordance with law. In turn, the objective of the remuneration policy is that the remuneration of the Board is sufficient to attract and retain directors of the desired profile and reward the dedication, qualification and responsibility required by the office without compromising the independent judgement of non-executive directors.</p> <p>The General Meeting approves at least every three years and as a separate item on the agenda, a director remuneration policy that aligns with the remuneration system provided for in the Bylaws. In this regard, the shareholders at the Ordinary General Meeting of 28 June 2016 approved the directors' remuneration policy, which will remain in force for the three years following the year in which it was approved by the shareholders, i.e. from 2017 to 2019. They also approved that said policy would be applicable in 2016.</p> <p>The directors' remuneration policy determines the remuneration of directors in their capacity as such within the remuneration system provided for in the Bylaws and includes the maximum amount of the annual remuneration to be paid to all the directors in such capacity. The Board determines the remuneration of each director, and takes into account for this purpose the roles and responsibilities attributed to each director, membership on Board committees and other objective circumstances that it deems relevant.</p> <p>The annual remuneration established in the remuneration policy takes into account the level of responsibility of the directors (in particular, executive directors), ensuring that it is competitive with the remuneration at other comparable companies based on their capitalization, size and international presence. To determine such remuneration, the proposed</p>

remuneration policy submitted to the Board by the Appointments and Remuneration Committee (the "ARC" or the "Committee") considered the specific characteristics of each position and level of responsibility and dedication required.

The executive directors, unlike non-executive directors, do not receive remuneration for their membership on the Board nor on its committees nor do they receive a fixed annual amount or fees to attend Board or the related committees meetings. Their remuneration is wholly for the discharge of executive functions.

In addition, the remuneration of executive directors under their contracts is consistent with the remuneration policy of these executive directors, which provides for (i) the amount of fixed annual remuneration and changes thereof in the period to which the policy relates, (ii) the various parameters for setting the variable components (linked to short-, medium- and long-term performance criteria as determined by the Board, such as dedication and professional excellence, the degree of achievement of the targets of the annual budget and investment and/or property occupancy targets) and (iii) the principal terms and conditions of their contracts, including, in particular, the term, early termination benefits or termination of the contractual relationship and exclusivity, post-contractual non-compete and long-service or loyalty agreements. The Board of Directors sets the remuneration of directors for the discharge of executive functions and the terms and conditions of their contracts with the Company in accordance with the law and with the director remuneration policy approved by the General Meeting.

In addition, on 21 January 2014 the shareholders at the Annual General Meeting approved the establishment of a remuneration system tied to the market price of the shares or involving the delivery of shares or share options to executive directors.

Currently, only executive directors receive variable remuneration based on the discharge of their duties.

- A.2 Information on the preparatory work and the decision-making process that has been followed to determine the remuneration policy and the role played, if any, by the remuneration committee and other control bodies in configuring remuneration policy. This information shall include, where appropriate, the mandate given to the remuneration committee, the composition thereof and the identity of the external consultants whose services were used to define the remuneration policy. The character of the directors, if any, who have been involved in the definition of the remuneration policy, shall also be noted.

Explain the process for determining the remuneration policy

The ARC is the body that informs and submits to the Board of Directors the proposals relating to remuneration that are attributed to it in, inter alia, the Company Bylaws, the Regulations of the Board of Directors and the remuneration policy, while also ensuring the compliance with the established remuneration policy and proposing such amendments as it deems necessary. The Board of Directors, on the proposal of the ARC, submits to the General Meeting the remuneration policy applicable to the current year, including the annual maximum amount of remuneration to be paid to all directors in their capacity as such. For this purpose, the shareholders at the Ordinary General Meeting of 28 June 2016, under item 15 of the agenda, approved the remuneration policy for 2016, 2017, 2018 and 2019, on the proposal of the Board of Directors and subsequent to a report by the ARC.

The ARC, under Article 33 of the Company Bylaws and the Regulations of the Board of Directors, currently comprises 5 members appointed by the Board of Directors, all non-

executive directors. In particular, the Committee is composed of 3 independent directors (Mr Carlos Fernández-Lerga Garralda, Mr Javier Iglesias de Ussel Ordís and Mr Luis Maluquer Trepal) and 2 proprietary directors (Mr Adnane Mousannif and Mr Juan Carlos García Cañizares). Also, the Chairman of the Committee is one of the independent directors who form a part thereof.

This Committee meets as often as necessary to fulfil its duties and is called by its Chairman. In 2017 it met 8 times to discuss issues pertaining to its competence.

Without prejudice to other duties assigned to it by the Board of Directors, the ARC has, in relation to matters of remuneration, the following powers:

- Propose to the Board of Directors the remuneration policy for directors and senior officers;
- Propose to the Board of Directors the individual remuneration of the Chairman of the Board of Directors and the CEO and other terms of their contracts as executive directors, as well as the approval thereof and the standard conditions for senior executive employment contracts, reporting on and making proposals in relation to the incentive plans spanning more than one year that involve Colonial's executive directors and senior management and, in particular, those that might be made in relation to the share price;
- Report to the Board of Directors on the fulfilment of the conditions upon which variable remuneration depends and the settlement of share-based payments; and
- Ensure the transparency of the remuneration and the inclusion of disclosures on the remuneration of directors in the Annual Report and in the Annual Report on Directors' Remuneration.

The Regulations of the Board of Directors provide that Board members, including members of the ARC, can request external advice on matters they deem necessary. To this end, the Company, on occasion, has relied on the advice of external experts for the proper performance of its duties. In this regard, in 2017 it relied on the advice of *Spencer Stuart* for matters relating to the internal evaluation of the Board and the ARC.

The Committee analyses in advance the proposals on remuneration submitted to the Board of Directors for approval, and to this end uses the Company's internal services and external experts when necessary, as indicated in the foregoing paragraph. Decisions on the share-based remuneration of executive directors are submitted to the approval of the shareholders at the Annual General Meeting, which set out the essential aspects of the related share-based remuneration plans. The Board of Directors, at its meeting on 13 May 2014, approved the report of the ARC, the setting and development of the conditions of the long-term variable remuneration plan approved by the shareholders at the Annual General Meeting on 21 January 2014. The plan and conditions are included in the current remuneration policy approved by the shareholders at the Annual General Meeting on 28 June 2016.

During 2017, PricewaterhouseCoopers (PwC) advised the company with regards to the review of said plan, particularly, with a view to carrying out an analysis of the Company's long-term incentive mechanism (ILP).

Lastly, the General Meeting of 29 June 2017 agreed, as item 9 of the Agenda, to approve the motion put forward regarding the two-year extension of the term during which said plan would be applied.

- A.3 Indicate the amount and nature of the fixed components, with a detail, where applicable, of the remuneration for the discharge of senior management duties of the executive directors, of additional remuneration as chairman or member of any Board committee, of the fees for attending meetings of the Board and related committees and

other fixed remuneration as director and an estimate of the fixed annual remuneration to which they give rise. Identify other benefits that are not settled in cash and the fundamental parameters whereby they are granted.

Explain the fixed components of remuneration
<p>Under the system of remuneration contained in Article 30 of the Company Bylaws, the directors receive, for their capacity as such, based on the fixed component of their remuneration, (i) a certain fixed annual remuneration for membership on the Board and related committees and (ii) fees to attend meetings of the Board of Directors and related committees. In this regard, the director remuneration policy for 2016, 2017, 2018 and 2019, approved by shareholders at the Ordinary General Meeting of 28 June 2016 under item 15 on the agenda, set the maximum amount of annual remuneration for all directors in their capacity as such at €1,900,000. This amount may be increased by 10% for each new member of the Board or related committees that entails an increase in the number of its members and may be distributed at the discretion of Colonial's Board of Directors.</p> <p>The Board of Directors established the following distribution for this purpose:</p> <ul style="list-style-type: none"> - The Deputy Chairman of the Board, in his capacity as such, is entitled to a fixed annual amount of €100,000. - Directors are entitled to a fixed annual amount of €50,000. - The coordinating independent director is entitled to an additional fixed amount of €75,000. - In addition, the Deputy Chairman is entitled, in connection with attendance fees for each of the Board meetings he attends, to €4,800 per session and the other directors are entitled to €3,000 each in connection with attendance fees. - The Chairmen of the Audit and Control Committee ("ACC") and the ARC are each entitled to an additional fixed annual amount of €50,000, and the other members of these committees to an additional fixed annual amount of €25,000. - Similarly, the Deputy Chairman of the Executive Committee and the Chairmen of the ARC and Audit and Control Committee are each entitled to attendance fees of €4,800 for each of the committee meetings, and the members of such committees are entitled to €3,000 each per meeting. <p>Also, for 2018 it is expected that the same distribution will remain in place although, given the vacancies arising at the positions of Deputy Chairman of the Board of Directors and Deputy Chairman of the Executive Committee in 2016, no amount will accrue in this connection if these positions have not been filled. However, if a Deputy Chairman and/or Deputy Chairman of the Executive Committee are appointed, the Board of Directors will decide the remuneration, as appropriate, corresponding to the Deputy Chairman of the Board of Directors in his capacity as such. In all cases, both positions (Deputy Chairman of the Board of Directors and Deputy Chairman of the Executive Committee) will receive the related attendance fees as indicated.</p> <p>Executive directors, unlike non-executive directors, do not receive remuneration for their membership on the Board nor on its committees nor do they receive a fixed annual amount or fees to attend Board or the related committees meetings. However, this remuneration policy provides for fixed annual remuneration of €550,000 for the Chairman and €640,000 for the CEO, which are reviewed annually and automatically by applying the CPI published by the Spanish National Statistics Institute relating to the calendar year immediately preceding the date of the review, or any another official benchmark that may ultimately replace it. These amounts remunerate all the executive functions they discharge at Colonial, as executives, Board members and attendees of the Company's Board of Directors and related committees.</p>

Lastly, given their fixed nature, directors also receive the remuneration included for such purpose in sections A.5 and A.10.

A.4 Explain the amount, nature and main characteristics of the variable components of the remuneration systems.

In particular:

- Identify each of the remuneration plans of which the directors are beneficiaries, the related scope, date of approval, date of implementation, term and the main features thereof. In the case of share option plans and other financial instruments, the plan's general features shall include information on the conditions for exercising such options or financial instruments for each plan.
- Indicate any payments made under profit-sharing or bonus schemes, and the reason for their accrual.
- Explain the basic parameters and basis of any system of annual premiums (bonus).
- The classes of directors (executive directors, external proprietary directors, external independent directors or other external directors) who are beneficiaries of remuneration systems or plans that include variable remuneration.
- The basis of these variable remuneration systems or plans, the criteria selected to evaluate performance and evaluation components and methods to determine whether or not they have met the criteria of evaluation and an estimate of the absolute amount of variable remuneration arising from the current remuneration plan, depending on the degree of achievement of the assumptions or targets taken as a reference.
- Where appropriate, any payment deferral periods and/or retention periods for shares or other financial instruments, if any, shall be reported.

Explain the variable components of the remuneration systems

Only executive directors are entitled to the variable remuneration contained in the remuneration policy, which includes limits and technical safeguards to ensure that it is tied to the professional performance of such directors and not based solely from the general performance of the markets or the activity sector in which Colonial operates or other similar circumstances.

The contracts of executive directors include a clause that allows Colonial to claim, in certain cases, total or partial repayment of their variable remuneration. The decision rests with the Board of Directors on a proposal from the ARC.

Variable remuneration is determined annually by the Board of Directors on a proposal from the ARC, based on an overall review of quantitative and qualitative targets. In this regard the targets or parameters to which variable remuneration is subject are personal in nature, such as professional dedication and excellence, or of an economic or budgetary nature, or are based on the degree of achievement of the targets of the annual budget, investment or property occupancy targets and the performance of the duties specific to him, oversight of corporate governance and his contribution to improving the Company's corporate reputation.

In calculating any remuneration linked to profits, Colonial considers any qualification included

in the external auditor's report that reduces profit for the year.

The director remuneration policy for 2016, 2017, 2018 and 2019 approved by the shareholders at the Ordinary General Meeting of 28 June 2016 provides that the Chairman and the CEO may receive annual variable remuneration of up to 100% of the fixed annual remuneration corresponding to each. The Committee will assess the degree of achievement of the targets of the executive directors' variable remuneration and propose to the Board of Directors, for each of the executive directors and within the maximum amount set, the degree and amount of the variable remuneration of each year which, as appropriate, may be received by the Chairman and CEO.

Also, as extraordinary or additional variable remuneration, the executive directors (Chairman and CEO) may receive each year an amount which may be up to 200% of their fixed annual remuneration, based on their participation in corporate transactions of acquisition, investment, restructuring or any other transaction or action that, due to its nature, complexity, amount and outcome, may generate significant added value for shareholders or give rise to an economic benefit or a significant increase in equity to strengthen the sustainability of Colonial. On a proposal from the ARC, the Board of Directors may agree, as appropriate, and set for each of the executive directors the amount and the settlement date of this additional variable remuneration within the criteria laid down in the remuneration policy.

Payment of the additional variable remuneration shall not be considered salary or remuneration for inclusion in the applicable basis for calculation of any termination benefit as might arise from the termination of employment or retirement of executive director.

Also, both the Chairman and the CEO are beneficiaries of a share delivery plan ("**Plan**") which was approved on a proposal from the ARC, by the General Meeting on 21 of January 2014 and whose term has been extended up until the year 2021 by a resolution of the shareholders on 29 of June 2017. The most relevant aspects are indicated below:

1. Description: delivery of ordinary shares to Plan beneficiaries depending on the annual achievement of certain indicators and on the beneficiaries being executive directors or having a commercial or employment relationship with Colonial or the Group at the dates of delivery of the shares.

2. Beneficiaries: The Chairman of the Board, the CEO and the members of Colonial's Management Committee, including senior officers.

3. Determination of the number of shares: The Chairman of the Board and the CEO, based on the fulfilment of certain requirements, are entitled to receive each year a maximum of 48,837 and 126,977 shares, respectively. However, these maximum numbers may each be increased by up to a 25% maximum depending on the degree beyond which the conditions were met.

The maximum number of shares indicated for the Chairman and CEO in the Plan has been adjusted following the grouping and share exchange resolution adopted by the Ordinary General Meeting on 28 June 2016 under item 18 of the agenda, to one new share for every ten former shares.

4. Determinants: The number of shares to be allocated to beneficiaries shall be subject to the achievement of certain conditions set out therein tied to Colonial's performance.

5. Term and delivery: The Plan will be in force from 2015 to 2021. The Board, following a report by the ARC, will approve the annual settlement and determine the number of shares that, based on achievement of the prior year's indicators, correspond to each of the beneficiaries. The shares will be delivered between 15 and April 30 of each year, and may not be sold or transferred until three years have elapsed since the delivery, except to cater for the taxes arising from accrual thereof.

The delivery of the shares will include a final adjustment, such that the equivalent monetary value of the delivered action does not exceed 150% of the average share price in November

2013.

The Board, on a proposal from the ARC, will make adjustments to maintain the equivalence of the benefits under the Plan in the event that any resolution were to adversely and substantially affect Colonial shares or involve a variation in the number of outstanding shares as a result of a modification of the par value thereof, and in the case of merger, integration or spin-off. The Plan will be settled early in the event that a substantial liquidity event takes place, as defined in the resolution of the General Meeting of 21 January 2014.

If, during the term of the Plan, the Chairman or CEO were unfairly dismissed, the shareholders did not extend their mandate or they were dismissed from their positions without just cause, they shall be entitled to the early settlement of the Plan and be delivered the shares not yet settled in the outstanding years.

Beneficiaries will lose their right to delivery of shares and rights to the shares granted in the event of justified dismissal, termination for cause or if he resigns of his own initiative, and in case of breach of contract in respect of confidentiality, non-solicitation of services or competition.

The Company's internal auditor also drew up a report on the procedure agreed for the settlement of the Plan.

- A.5 Explain the main features of the long-term savings systems, including retirement and any other survival benefit, wholly or partially financed by the Company, recognized either internally or externally, with an estimate of the related amount or equivalent annual cost, indicating the type of plan, economic rights for directors and compatibility thereof with any type of benefit for early termination of the contractual relationship between the Company and the director.

Also indicate the contributions on the director's behalf to defined-contribution pension plans, or any increase in the director's vested rights in the case of contributions to defined-benefit schemes.

Explain the long-term savings systems

The executive directors are beneficiaries of a defined-contribution welfare plan covering the contingencies of retirement, disability and death. Annual contributions were established for 2016 at €75,000 for the Chairman of the Board of Directors and €100,000 for the CEO. This amount will increase automatically on an annual basis by applying the CPI published by the Spanish National Statistics Institute relating to the calendar year immediately preceding the date of the review, or any another official benchmark that may ultimately replace it. In this respect, the contributions corresponding to 2017 amounted to €76,200 and €101,600 for the Chairman and the CEO, respectively. The Company has estimated that the contributions in 2018 shall amount to €77,038.20 and €102,717.60 for the Chairman and the CEO, respectively.

The employee welfare system of executive directors recognises the vesting of economic rights in the event of stepping down or termination of the professional relationship prior to the occurrence of the contingencies covered, unless such stepping down or termination occurs when just cause is found.

Furthermore, these long-term savings systems are compatible with termination benefits, as the case may be.

A.6 Indicate any termination benefits agreed or paid in the event of termination of the duties as director.

Explain the termination benefits
<p>The Company has established termination benefits in the event of termination of executive functions exclusively for the Chairman and for the CEO, which were approved by the shareholders at the Ordinary General Meeting of 28 June 2016, as they are included in the remuneration policy approved at such meeting (item 15 on the agenda). In this regard, these executive directors would receive additional and special termination benefits as compensation in the event of unjustified termination or non-renewal of their positions, or a substantial reduction of their respective functions. This shall also accrue (i) in the event of resignation or stepping down due to a change of control at the Company or significant change in the composition of the Board of Directors and (ii) in the event of amendment of the terms and conditions agreed in their employment contracts without their consent, among other scenarios established by the Board of Directors. Termination benefits shall comprise:</p> <ul style="list-style-type: none"> ▪ Chairman of the Board: a gross amount equal to two years' fixed and variable remuneration, with a minimum of €1,650,000, which is reviewed annually and automatically by applying the CPI published by the Spanish National Statistics Institute relating to the calendar year elapsed to the date of termination, or any another official benchmark that may ultimately replace it. ▪ CEO: a gross amount equal to two years' fixed and variable remuneration, with a minimum of €1,920,000, which is reviewed annually and automatically by applying the CPI published by the Spanish National Statistics Institute relating to the calendar year elapsed to the date of termination, or any another official benchmark that may ultimately replace it. <p>The calculation takes into account the average of the amounts received in respect of fixed and variable remuneration in the last two years, excluding the amounts that may have been received as additional variable remuneration under point A.8 above and any amount that might accrue to him from the share delivery plan. In any case, the compensation will be at least €1,650,000 for the Chairman and €1,920,000 for the CEO. These amounts shall be adjusted according to the CPI published by the National Statistics Institute for each calendar year elapsed until the termination date.</p> <p>Also, regarding the long-term variable remuneration plan, where the beneficiaries thereof (executive directors, among others) are unfairly dismissed during the term of the Plan, where the General Meeting does not extend the mandate of the Chairman or CEO or where they are dismissed from their positions without just cause or to legally retire (including agreed-on early retirement), they would be entitled to the early settlement of the Plan and be delivered the maximum number of shares that would have accrued in the year of termination, non-renewal of the mandate, unfair dismissal or legal retirement, as well as the maximum number of shares that could accrue during the remaining years of the Plan's effectiveness until expiry thereof. The Board will also agree on the early settlement of the Plan, and the maximum number of shares pending shall be delivered to each of the executive directors in the event of a "substantial liquidity event", which would arise (i) if a takeover bid is authorised in order to acquire all the share capital of Colonial, or (ii) in the event of a significant refinancing of existing debt. In the latter case, the early settlement of the Plan is subject to ratification by the ARC.</p>

A.7 Indicate the conditions to be met in the contracts of executive directors who discharge senior management functions. The term, limits on the amounts of termination benefits, long-service terms, notice periods and any other clauses covering hiring bonuses,

indemnities or golden parachutes for early termination of the contractual relationship between the Company and the executive director shall be reported, among others. Include, inter alia, any covenants or agreements not to compete and exclusivity, long-service or loyalty and post-contractual non-compete agreements.

Explain the contractual conditions of the executive directors

The contracts arranged with each of the executive directors determine their related remuneration, economic rights and rewards, which include those items included in the Company Bylaws and described in this report. In this regard, below are the relevant terms and conditions of the contracts of the executive directors (Chairman of the Board and CEO) that follow the remuneration policy:

Term: For both the Chairman and the CEO it has been stipulated that the term of the contract is subject to the term of appointment as Chairman of the Board of Directors of the Company or CEO, in each case. If the appointment of the Chairman of the Board of Directors and/or CEO is renewed, the contract is understood to be automatically for the period relating to such renewal of office, unless otherwise resolved by the Board of Directors.

b) Limits on the amounts of termination benefits: It has been established that the Chairman of the Board of Directors and the CEO will receive the termination benefits described in the section A.6 above of this Report.

c) Clauses covering indemnities or “golden parachutes” in the event of early termination of the contractual relationship between the Company and executive director: Without prejudice to section b) of this heading, in the event of a change of control at the Company, a significant change in the composition of the Board of Directors or a substantial amendment to the terms and conditions agreed in their employment contracts without their consent, there is a three-month period, as from the effective date of these resolutions or changes, to notify the Board of Directors of their resignation or waiver, as CEO or Chairman with executive functions, in which case they are entitled to the benefits mentioned in section A.6 above. For the purposes of the application of the foregoing, the effective date of the change of control or substantial change in the composition of the Board of Directors shall be understood as the date on which such circumstances are published as a regulatory announcement on the website of the Spanish Securities Market Commission. In the event that the Board of Directors resolves to substantially reduce the duties of the executive Chairman or CEO or the terms and conditions agreed in their employment contracts are amended without their consent, as from the time when the party concerned receives due notice of the resolution.

d) Any covenants or agreements not to compete and exclusivity, long-service or loyalty and post-contractual non-compete agreements: For both the Chairman and the CEO non-compete or exclusivity clauses have been stipulated; however, agreements not to compete or long-service and loyalty agreements have not been provided for in these contracts. This is without prejudice to any obligations that, in their capacity as directors, are set out in law and the Company's corporate regulations.

A.8 Explain any supplementary remuneration accrued to directors in consideration for services rendered other than those inherent to their position.

Explain supplementary remuneration
There is no agreed supplementary remuneration for directors in consideration for services rendered other than those inherent to their position.

- A.9 Indicate any remuneration in the form of advances, loans or guarantees granted, specifying the interest rate, their essential characteristics and any amounts ultimately repaid, as well as the obligations accepted on their behalf as security.

Explain the advances, loans and guarantees extended
No remuneration was extended in the form of advances, loans or guarantees to any of the Company's directors.

- A.10 Explain the main features of remuneration in kind.

Explain remuneration in kind
The Company has taken out a collective third-party liability insurance policy that covers all manner of liability for the acts and conduct of all directors (executive and non-executive) and the Company's executives as a result of the discharge of their duties and any loss arising from cyber attacks or failures in cybersecurity. The cost of this insurance for directors is not included in the maximum annual amount of remuneration established in the paragraph A.3 above.
In addition, the Company provides to the Chairman of the Board of Directors and the CEO other remuneration in kind in connection with the use of a vehicle, family healthcare, disability and accident insurance and other benefits that the Company may generally provide to its senior officers. Also, the Company provides remuneration in kind to the CEO in the form of life insurance.

- A.11 Indicate the remuneration accrued by the director through the payments made by the listed Company to a third party at which the director provides services, when such payments are intended to remunerate the director's services at the Company.

Explain the remuneration accrued by the director in respect of payments made by the listed Company to a third party to whom the director renders services
The directors of the Company did not accrue any remuneration in this connection.

- A.12 Any kind of remuneration other than those listed above, of whatever nature and provenance within the group, especially when it may be deemed a related party transaction or when its omission would detract from the fair presentation of the total remuneration earned by the director.

Explain other remuneration items
The directors of the Company did not earn any remuneration in this connection, except as detailed in heading D. b) i) below concerning the remuneration paid by Société Foncière Lyonnaise to the directors for forming part of the Board of Directors.

- A.13 Explain the actions taken by the Company in connection with the remuneration system to reduce exposure to excessive risks and adjust it to the Company’s long-term objectives, values and interests, including, where appropriate, a reference to: measures designed to ensure that the remuneration policy is based on the Company’s long-term results, measures to establish an appropriate balance between the fixed and variable components of remuneration, measures taken in relation to personnel categories whose professional activities have a material impact on the Company’s risk profile, recovery formulas or clauses to claim repayment of the variable remuneration components based on results when such components are paid on the basis of data which have later been patently shown to be inaccurate and measures designed to prevent conflicts of interest, if any.

Explain the actions taken to reduce risks
<p>Regarding the measures envisaged to ensure that the remuneration policy is based on the Company’s long-term results, the share delivery plan indicated in sub paragraph A.4 above establishes a series of objective criteria on the performance of the Company to determine the specific number of shares to be delivered to the Chairman and CEO, such as the net cash flow from the Company’s operations obtained annually and changes in the net asset value of the Company’s shares that occur each year.</p> <p>Furthermore, the Company seeks a proper balance between the fixed and variable components of remuneration. In this regard, the director remuneration policy for 2016, 2017, 2018 and 2019, approved by shareholders in a General Meeting on 28 June 2016, establishes the criteria to maintain the proper balance between these components (listed in heading A.1 above), establishing variable remuneration as a maximum percentage of 100% of the total amount of fixed remuneration.</p> <p>The Company considers that it does not have any employees whose professional activities have a material impact on the Company’s risk profile.</p> <p>Also, under the director remuneration policy for 2016, 2017, 2018 and 2019, the employment contracts of executive directors include clauses that allow Colonial to claim the full or partial repayment of the amounts received as variable remuneration based on results when such variable remuneration is paid on the basis of data which have later been patently shown to be inaccurate.</p>

B. REMUNERATION POLICY PLANNED FOR FUTURE YEARS

Deleted.

C. SUMMARISED OVERVIEW OF THE APPLICATION OF THE REMUNERATION POLICY DURING THE PRIOR YEAR

- C.1 Summarise the main features of the structure and remuneration items in the remuneration policy applied during the prior year, which gives rise to details of the individual remuneration earned by each of the directors reflected in section D of this Report, and provide a summary of the decisions taken by the Board for the application of such items.

Explain the structure of remuneration items of the remuneration policy applied during the year

I. Remuneration policy applied in 2017

The Board of Directors, on the proposal of the ARC, agreed to submit to the Company's General Meeting held on 29 June 2017 under item nine of the agenda, the approval of the motion relating to the extension or continuation of the duration of application of the Share Delivery Plan approved by the General Meeting of Shareholders on 21 January 2014 for a period of two additional years, a motion adopted by the shareholders themselves on 29 June 2017. Also, at this same meeting, the shareholders adopted, in an advisory vote, the resolution relating to item ten on the agenda in respect of the "Advisory vote on the Annual Remuneration Report on the Directors of Inmobiliaria Colonial, S.A. for 2016".

Based on the foregoing, the remuneration of directors in 2017, received in proportion to the period of time during which each has held office, is as follows:

a) Remuneration of the directors for the discharge of their functions as such:

- The Deputy Chairman of the Board, in his capacity as such, is entitled to a fixed annual amount of €100,000. However, on 16 December 2016 this position became vacant after the resignation as a director by the Deputy Chairman of the Company.
- Directors are entitled to a fixed annual amount of €50,000.
- The coordinating independent director is entitled to an additional fixed amount of €75,000.
- In addition the directors are entitled, for attendance fees for each of the Board meetings they attend, the amount of €3,000 for each session.
- The Chairmen of the ACC and the ARC are each entitled to an additional fixed annual amount of €50,000, and the other members of these committees to an additional fixed annual amount of €25,000.
- Similarly, the Chairmen of the ARC and of the ACC are each entitled to attendance fees of €4,800 for each of the meetings; and the members of such committees are entitled to €3,000 each per meeting.

In addition, the Company has taken out a collective third-party liability insurance policy that covers all manner of liability for the acts and conduct of directors as a result of the discharge of their duties and any loss arising from cyber attacks or failures in cybersecurity. The cost of insurance is not included in the annual limit for all directors in their capacity as such set out in the remuneration policy.

Executive directors, unlike non-executive directors, do not receive remuneration for their membership on the Board or related committees.

Except for the remuneration of the two executive directors for the exercise of their executive duties, which is detailed subsequently, the amounts and items reflected in this section are the only remuneration to which the directors were entitled during 2017 in proportion to the period of time during which they have discharged their duties.

b) Remuneration of executive directors: The only executive directors whose appointment as directors is associated to their executive functions under the terms of article 4 of the Board Regulations are Mr Juan José Brugera Clavero (Chairman of the Board who discharges specific executive functions) and Mr Pedro Viñolas Serra (CEO and Senior Executive Officer).

These directors earn the following remuneration:

i. Annual fixed remuneration:

- Chairman: the Chairman's annual fixed remuneration, established in the director remuneration policy approved at the aforementioned Annual General Meeting, amounted to €558,800.
- CEO: the CEO's fixed annual remuneration, established in the director remuneration policy approved at the aforementioned Annual General Meeting, amounted to €650,240.

ii. Variable remuneration:

- The Chairman of the Board of Directors has accrued the amount of €558,800, equivalent to 100% of his fixed remuneration, as variable remuneration (as ordinary) for the very satisfactory achievement of the targets established.

- The CEO has accrued the amount of €650,240, equivalent to 100% of his fixed remuneration, as variable remuneration (as ordinary) for the very satisfactory achievement of the targets established.

iii. Additional benefits:

The remuneration system of the CEO and Chairman of the Board is supplemented by other benefits determined by the Board of Directors. In particular, the Company has taken out a collective third-party liability insurance policy that covers all liability of any manner due to the acts and conduct of these directors as a result of the discharge of their duties and any loss arising from cyber attacks or failures in cybersecurity.

In addition, the executive directors are beneficiaries of a defined-contribution welfare plan covering the contingencies of retirement, disability and death. Annual contributions were established for 2017 at €76,200 for the Chairman of the Board of Directors and €101,600 for the CEO. The employee welfare system of executive directors recognises the vesting of economic rights in the event of stepping down or termination of the professional relationship before the occurrence of the contingencies covered, unless such stepping down or termination occurs when just cause is found.

In addition, the Company provides to the executive directors other remuneration in kind in connection with the use of a vehicle, family healthcare, disability and accident insurance and other benefits that the Company may generally provide. Also, the Company provides remuneration in kind to the CEO in the form of life insurance.

iv. Long-term variable remuneration plan consisting of the conditional and restricted delivery of Company shares:

Executive directors have been beneficiaries of a share delivery plan approved at the Annual General Meeting held on 21 January 2014, the characteristics of which are included in heading A.4.

v. Annual variable remuneration:

In view of the Chairman and CEO's participation in various corporate and acquisition operations of significant complexity that generated significant added value for shareholders, economic benefit to the Company and reinforced its sustainability, such as the transformation of Colonial into SOCIMI and the takeover bid for the share capital of Axiare Patrimonio, SOCIMI, S. A., among others, both have accrued, at the proposal of the Appointments and Remuneration Committee, the amounts of €1,117,600 and €1,300,480, respectively, as an exceptional and extraordinary variable remuneration, within the framework of the Remuneration Policy approved by the General Meeting of Shareholders held on 28 June 2016.

II. Summary of decisions of the Board for the application of these items:

a. On 19 January 2017, the Board of Directors approved the proposals agreed by the ARC relating to the ordinary variable remuneration of the executive directors and the members of the Management Committee, considering that the targets established for this purpose had been met by the Board for 2016, and all in accordance with the remuneration policy approved by the Ordinary General Meeting of 28 June 2016 according to which the Chairman and the CEO could receive, as annual variable remuneration, an amount of up to 100% on the annual fixed remuneration of each of them. Notwithstanding that, in addition, and in each particular case, if certain conditions are met (such as the participation in several of the Company's corporate and acquisition operations of significant complexity that generate significant added value for shareholders and economic benefit to the Company), the Chairman and the CEO may perceive an extraordinary and exceptional variable remuneration on an annual basis of up to

200% of their annual fixed remuneration. In accordance with the proposals of the ARC, variable remuneration for the chairman and CEO equivalent to 100 of their fixed remuneration was approved.

b. Likewise, on 24 February 2017 the Board of Directors also approved, on a proposal from the ARC, the annual report on director remuneration for 2016.

c. On 26 April 2017 the Board of Directors, on a proposal of the ARC, agreed the number of Company shares to be delivered, for 2016, to the beneficiaries of the Share Delivery Plan approved at the General Meeting of 21 January 2014, among whom are included the executive directors.

d. Also the Board, on a proposal from the ARC, agreed at its meeting of 22 May 2017, to submit to the General Meeting the extension of the share delivery plan approved by the General Meeting of 21 January 2014 for an additional period of two years, under the same terms and conditions.

e. During the beginning of 2018, the Board of Directors, at its meetings held on 24 January and 8 February, resolved, at the proposal of the CNR and in accordance with the remuneration policy approved by the General Shareholders' Meeting on 28 June 2016, to settle and pay (i) an ordinary variable remuneration for the Chairman and the CEO corresponding to 100% of their fixed annual remuneration, depending on the achievement of the objectives established for 2017 by the Board; as well as (ii) an exceptional and extraordinary variable remuneration, corresponding to 200% of their annual fixed remuneration, understanding that, during 2017, both the Chairman and CEO had participated in different corporate operations of the Company in a very active and favourable manner, generating significant value for the shareholders and economic profit for the Company.

D. DETAILS OF THE INDIVIDUAL REMUNERATION EARNED BY EACH DIRECTOR

Name	Type	Accrual period 2017
JUAN JOSÉ BRUGERA CLAVERO	Executive	From 01/01/2017 to 31/12/2017
PEDRO VIÑOLAS SERRA	Executive	From 01/01/2017 to 31/12/2017
SHEIKH ALI JASSIM M.J. AL-THANI	Proprietary	From 01/01/2017 to 31/12/2017
ADNANE MOUSANNIF	Proprietary	From 01/01/2017 to 31/12/2017
JUAN CARLOS GARCÍA CAÑIZARES).	Proprietary	From 01/01/2017 to 31/12/2017
CARLOS FERNÁNDEZ GONZÁLEZ	Proprietary	From 01/01/2017 to 31/12/2017
LUIS MALUQUER TREPAT	Independent	From 01/01/2017 to 31/12/2017
CARLOS FERNÁNDEZ-LERGA GARRALDA	Independent	From 01/01/2017 to 31/12/2017
JAVIER IGLESIAS DE USSEL ORDÍS	Independent	From 01/01/2017 to 31/12/2017
ANA SAINZ DE VICUÑA BEMBERG	Independent	From 01/01/2017 to 31/12/2017
JUAN VILLAR-MIR DE FUENTES	Proprietary	From 01/01/2017 to 22/05/2017

D.1 Complete the following tables in respect of the individual remuneration of each of the directors (including remuneration for the discharge of executive functions) accrued during the year.

a) **Remuneration earned at the reporting Company:**

i) **Remuneration in cash (thousands of euros)**

Name	Salaries	Fixed remuneration	Attendance fees	Short-term variable remuneration	Long-term variable remuneration	Remuneration for membership of board committees	Termination benefits	Other items	Total 2017	Total 2016
JUAN JOSÉ BRUGERA CLAVERO	559	0	0	1,676	0	0	0	0	2235	1200
PEDRO VIÑOLAS SERRA	650	0	0	1,951	0	0	0	30	2631	1410
SHEIKH ALI JASSIM M.J. AL-THANI	0	50	54	0	0	15	0	0	119	69
ADNANE MOUSANNIF	0	50	39	0	0	10	0	0	99	43
JUAN CARLOS GARCÍA CAÑIZARES).	0	50	54	0	0	25	0	0	129	134
CARLOS FERNÁNDEZ GONZÁLEZ	0	50	36	0	0	0	0	0	86	34
LUIS MALUQUER TREPAT	0	50	90	0	0	50	0	0	190	139
CARLOS FERNÁNDEZ-LERGA GARRALDA	0	125	103	0	0	75	0	0	303	295
JAVIER IGLESIAS DE USSEL ORDÍS	0	50	90	0	0	50	0	0	190	208
ANA SAINZ DE VICUÑA BEMBERG	0	50	84	0	0	50	0	0	184	151
JUAN VILLAR-MIR DE FUENTES	0	20	30	0	0	10	0	0	60	177

- ii) Share-based payments

JUAN JOSÉ BRUGERA CLAVERO 2014 share option plan									
Date of implementation	Ownership of options at beginning of 2017				Options assigned in 2017				
	Number of options	Affected shares	Ex. price (€)	Period for exercise	Number of options	Affected shares	Ex. price (€)	Period for exercise	
21/01/2014	0	0	0	0	0	0	0	--	

Conditions: See conditions indicated in heading A.4 above												
Shares delivered in 2017			Options exercised in 2017				Op. Expired not exercised	Options at 2017 year-end				
Nº of Shares	Price	Amount	Ex. price (€)	Number of options	Affected shares	Gross Profit (€ million)	Number of options	Number of options	Affected shares	Ex. price (€)	Period for exercise	
48,837	7.15	349,136	0	0	0	0	0	0	0	0	--	
Other requirements for exercise:--												

PEDRO VIÑOLAS SERRA 2014 share option plan												
Date of implementation	Ownership of options at beginning of 2017						Options assigned in 2017					
	Number of options	Affected shares	Ex. price (€)	Period for exercise			Number of options	Affected shares	Ex. price (€)	Period for exercise		
21/01/2014	0	0	0	0			0	0	0	--		
Conditions: See conditions indicated in heading A.4 above												
Shares delivered in 2017			Options exercised in 2017				Op. Expired not exercised	Options at 2017 year-end				
Nº of Shares	Price	Amount	Ex. price (€)	Number of options	Affected shares	Gross Profit (€ million)	Number of options	Number of options	Affected shares	Ex. price (€)	Period for exercise	
126,977	7.15	908,000	0	0	0	0	0	0	0	0	--	
Other requirements for exercise:--												

iii) Long-term savings systems

Name	Contribution for the period by the Company (thousands of	Amount of accumulated funds (thousands of euros)
------	--	--

	euros)			
	2017	2016	2017	2016
JUAN JOSÉ BRUGERA CLAVERO	76	75	151	75
PEDRO VIÑOLAS SERRA	102	100	202	100

iv) Other benefits (thousands of euros)

Not applicable

b) Remuneration earned by the directors of the Company for belonging to Boards at other Group companies:

i) Remuneration in cash (thousands of euros)

Name	Salaries	Fixed remuneration	Attendance fees	Short-term variable remuneration	Long-term variable remuneration	Remuneration for membership of Board committees	Termination benefits	Other items	Total 2017	Total 2016
JUAN JOSÉ BRUGERA CLAVERO	0	150	61	0	0	0	0	0	211	186
PEDRO VIÑOLAS SERRA	0	0	59	0	0	0	0	0	59	24
SHEIKH ALI JASSIM M.J. AL-THANI	0	0	38	0	0	0	0	0	38	18
ADNANE MOUSANNIF	0	0	41	0	0	0	0	0	41	18
LUIS MALUQUER TREPAT	0	0	41	0	0	0	0	0	41	18
CARLOS FERNÁNDEZ-LERGA GARRALDA	0	0	75	0	0	0	0	0	75	36

ii) Share-based payments

JUAN JOSÉ BRUGERA CLAVERO

Share delivery plan 2012												
Date of implementation	Ownership of options at beginning of 2017					Options assigned in 2017						
	Number of options	Affected shares	Ex. price (€)	Period for exercise		Number of options	Affected shares	Ex. price (€)	Period for exercise			
16/02/2012	0	0	0	0		0	0	0	--			
Conditions: --												
Shares delivered in 2017			Options exercised in 2017				Op. Expired not exercised	Options at 2017 year-end				
Nº of Shares	Price	Amount	Ex. price (€)	Number of options	Affected shares	Gross Profit (€ million)	Number of options	Number of options	Affected shares	Ex. price (€)	Period for exercise	
3,750	29.08	109	0	0	0	0	0	0	0	0	--	
Other requirements for exercise:--												

iii) Long-term savings systems

Not applicable

iv) Other benefits (thousands of euros)

Not applicable

c) Summary of remuneration (thousands of euros)

The summary should include the amounts relating to all remuneration items included in this Report that have accrued to the director, in thousands of euros.

In the case of long-term savings systems, the contributions or allocations made to these systems shall be included:

Name	Accrued remuneration at the Company				Accrued remuneration at Group companies				Total		
	Total remuneration in cash	Amount of shares granted	Gross profit of the options exercised	Total 2017 company	Total remuneration in cash	Amount of the shares delivered	Gross profit of the options exercised	Total 2017 Group	Total 2017	Total 2016	Contribution to the savings system in the year
JUAN JOSÉ BRUGERA CLAVERO	2235	349	0	2584	211	109	0	320	2904	1902	76
PEDRO VIÑOLAS SERRA	2631	908	0	3539	59	0	0	59	3598	2297	102
SHEIKH ALI JASSIM M.J. AL-THANI	119	0	0	119	38	0	0	38	157	87	0
ADNANE MOUSANNIF	99	0	0	99	41	0	0	41	140	61	0
JUAN CARLOS GARCÍA CAÑIZARES).	129	0	0	129	0	0	0	0	129	134	0
CARLOS FERNÁNDEZ GONZÁLEZ	86	0	0	86	0	0	0	0	86	34	0
LUIS MALUQUER TREPAT	190	0	0	190	41	0	0	41	231	157	0
CARLOS FERNÁNDEZ-LERGA GARRALDA	303	0	0	303	75	0	0	75	378	331	0
JAVIER IGLESIAS DE USSEL ORDÍS	190	0	0	190	0	0	0	0	190	208	0
ANA SAINZ DE VICUÑA BEMBERG	184	0	0	184	0	0	0	0	184	151	0
JUAN VILLAR-MIR DE FUENTES	60	0	0	60	0	0	0	0	60	177	0
TOTAL	6226	1257	0	7483	465	109	0	574	8057	5539	178

D.2 Report on the relationship between the remuneration received by the directors and the results or other measures of performance of the entity, explaining, where appropriate, how changes in the Company's performance have influenced changes in remuneration of directors.

Based on the Company's director remuneration policy for 2017 indicated in heading C.1 above, only certain remuneration is tied to the results achieved by the Company. In this regards, and based on the long-term variable remuneration consisting of the conditional and restricted delivery of Company shares, the calculation of the number of shares to be allocated to the Chairman and CEO was subject to the achievement of certain indicators that were approved at the Annual General Meeting of 21 January 2014, the features of which were described in heading A.4 above.

D.3 Report of the results of the advisory vote of the shareholders at the Annual General Meeting on the annual remuneration report in the previous fiscal year, indicating the number of dissenting votes, if any, that were cast:

	Number	% of total
Votes cast	293,953,456	74.89%

	Number	% of votes cast
Dissenting votes	72,084,942	24.52%
Affirmative votes	218,959,927	74.49%
Abstentions	2,908,587	0.99%

E. OTHER INFORMATION OF INTEREST

Briefly detail any salient feature relating to director remuneration that has not been dealt with in the other sections of this Report, but which it is necessary to include in order to provide the most complete and reasoned information on the Company's remuneration structure and practices in relation to its directors.

For the numerical information given in the table referred to in section D.1. a) i), the amounts relating to short-term variable remuneration correspond to the total amount of variable remuneration received by each executive director. In this respect, the amount stated for each executive director reflects

- the ordinary variable remuneration (pursuant to the very satisfactory achievement of the objectives set); as well as
- the exceptional and extraordinary variable remuneration, for the participation in several of the Company's corporate and acquisition operations of a considerable complexity, generating significant added value to the shareholders and economic profit to the Company and reinforcing its sustainability.

This Annual Report on Remuneration was approved by the Company's Board of Directors at its meeting held on 22 February 2018.

List whether any directors voted against or abstained from voting on the approval of this Report.

Yes

No

Name or company name of the member of the board of directors who did not vote in favour of this report	Reasons (against, abstention, non-attendance)	Explain the reasons